an assessment rate is being determined. If no current rating is available, the institution will be deemed to have no long-term debt issuer rating.

(j) *CAMELS composite and CAMELS component ratings.* The terms *CAMELS composite ratings* and *CAMELS component ratings* shall have the same meaning as in the Uniform Financial Institutions Rating System as published by the Federal Financial Institutions Examination Council.

(k) *ROCA supervisory ratings.* ROCA supervisory ratings rate risk management, operational controls, compliance, and asset quality.

(l) *New depository institution.* A new insured depository institution is a bank or thrift that has not been chartered for at least five years as of the last day of any quarter for which it is being assessed.

(m) *Established depository institution.* An established institution is a bank or thrift that has been chartered for at least five years as of the last day of any quarter for which it is being assessed.

(n) *Risk assignment.* An institution's risk assignment includes assignment to Risk Category I, II, III, or IV, and, within Risk Category I, assignment to an assessment rate or rates.

§ 327.9 Assessment risk categories and pricing methods.

(a) *Risk Categories.* Each insured depository institution shall be assigned to one of the following four Risk Categories based upon the institution's capital evaluation and supervisory evaluation as defined in this section.

(1) *Risk Category I.* All institutions in Supervisory Group A that are Well Capitalized;

(2) *Risk Category II.* All institutions in Supervisory Group A that are Adequately Capitalized, and all institutions in Supervisory Group B that are either Well Capitalized or Adequately Capitalized;

(3) *Risk Category III.* All institutions in Supervisory Groups A and B that are Undercapitalized, and all institutions in Supervisory Group C that are Well Capitalized or Adequately Capitalized; and

(4) *Risk Category IV.* All institutions in Supervisory Group C that are Undercapitalized.

(b) *Capital evaluations.* An institution will receive one of the following three capital evaluations on the basis of data reported in the institution's Consolidated Reports of Condition and Income, Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks, or Thrift Financial Report dated as of March 31 for the assessment period beginning the preceding January 1; dated as of June 30 for the assessment period beginning the preceding April 1; dated as of September 30 for the assessment period beginning the preceding July 1; and dated as of December 31 for the assessment period beginning the preceding October 1.

(1) *Well Capitalized.* (i) Except as provided in paragraph (b)(1)(ii) of this section, a Well Capitalized institution is one that satisfies each of the following capital ratio standards: Total risk-based ratio, 10.0 percent or greater; Tier 1 risk-based ratio, 6.0 percent or greater; and Tier 1 leverage ratio, 5.0 percent or greater.

(ii) For purposes of this section, an insured branch of a foreign bank will be deemed to be Well Capitalized if the insured branch:

(A) Maintains the pledge of assets required under § 347.209 of this chapter; and

(B) Maintains the eligible assets prescribed under § 347.210 of this chapter at 108 percent or more of the average book value of the insured branch's third-party liabilities for the quarter ending on the report date specified in paragraph (b) of this section.

(2) *Adequately Capitalized.* (i) Except as provided in paragraph (b)(2)(ii) of this section, an Adequately Capitalized institution is one that does not satisfy the standards of Well Capitalized under this paragraph but satisfies each of the following capital ratio standards: Total risk-based ratio, 8.0 percent or greater; Tier 1 risk-based ratio, 4.0 percent or greater; and Tier 1 leverage ratio, 4.0 percent or greater.

(ii) For purposes of this section, an insured branch of a foreign bank will be deemed to be Adequately Capitalized if the insured branch:

(A) Maintains the pledge of assets required under § 347.209 of this chapter; and

(B) Maintains the eligible assets prescribed under § 347.210 of this chapter at 106 percent or more of the average book value of the insured branch's third-party liabilities for the quarter ending on the report date specified in paragraph (b) of this section; and

(C) Does not meet the definition of a Well Capitalized insured branch of a foreign bank.

(3) *Undercapitalized.* An undercapitalized institution is one that does not qualify as either Well Capitalized or Adequately Capitalized under paragraphs (b)(1) and (b)(2) of this section.

(c) *Supervisory evaluations.* Each institution will be assigned to one of three Supervisory Groups based on the Corporation's consideration of supervisory evaluations provided by the institution's primary federal regulator. The supervisory evaluations include the results of examination findings by the primary federal regulator, as well as other information that the primary federal regulator determines to be relevant. In addition, the Corporation will take into consideration such other information (such as state examination findings, if appropriate) as it determines to be relevant to the institution's financial condition and the risk posed to the Deposit Insurance Fund. The three Supervisory Groups are:

(1) *Supervisory Group ''A.''* This Supervisory Group consists of financially sound institutions with only a few minor weaknesses;

(2) *Supervisory Group ''B.''* This Supervisory Group consists of institutions that demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to the Deposit Insurance Fund; and

(3) *Supervisory Group ''C.''* This Supervisory Group consists of institutions that pose a substantial probability of loss to the Deposit Insurance Fund unless effective corrective action is taken.

(d) *Determining Assessment Rates for Risk Category I Institutions.* Subject to paragraphs (d)(4), (6), (7) and (8) of this section, an insured depository institution in Risk Category I, except for a large institution that has at least one long-term debt issuer rating, as defined in § 327.8(i), shall have its assessment rate determined using the supervisory ratings and financial ratios method set forth in paragraph (d)(1) of this section. A large insured depository institution in Risk Category I that has at least one long-term debt issuer rating shall have its assessment rate determined using the supervisory and debt ratings method set forth in paragraph (d)(2) of this section (subject to paragraphs (d)(4), (6), (7) and (8) of this section). The assessment rate for a large institution whose assessment rate in the prior quarter was determined using the supervisory and debt ratings method, but which no longer has a long-term debt issuer rating, shall be determined using the supervisory ratings and financial ratios method.

(1) *Supervisory ratings and financial ratios method.* Under the supervisory ratings and financial ratios method for Risk Category I institutions, each of five financial ratios and a weighted average of CAMELS component ratings will be multiplied by a corresponding pricing multiplier. The sum of these products will be added to or subtracted from a uniform amount. The resulting sum, subject to adjustment pursuant to paragraph (d)(4) of this section, if appropriate, and adjusted for the actual assessment rates set by the Board under § 327.10, will equal an institution's assessment rate; provided, however, that no institution's assessment rate will be less than the minimum rate in effect for Risk Category I institutions for that quarter nor greater than the maximum rate in effect for Risk Category I institutions for that quarter. The five financial ratios are: Tier 1 Leverage Ratio; Loans past due 30–89 days/gross assets; Nonperforming assets/gross assets; Net loan charge-offs/gross assets; and Net income before taxes/risk-weighted assets. The ratios are defined in Table A.1 of Appendix A to this subpart. The ratios will be determined for an assessment period based upon information contained in an institution's report of condition filed as of the last day of the assessment period as set out in § 327.9(b). The weighted average of CAMELS component ratings is created by multiplying

each component by the following percentages and adding the products: Capital adequacy—25%, Asset quality—20%, Management—25%, Earnings—10%, Liquidity—10%, and Sensitivity to market risk—10%. Appendix A to this subpart contains the initial values of the pricing multipliers and uniform amount, describes their derivation, and explains how they will be periodically updated.

(i) *Publication of uniform amount and pricing multipliers.* The FDIC will publish notice in the FEDERAL REGISTER whenever a change is made to the uniform amount or the pricing multipliers for the supervisory ratings and financial ratios method.

(ii) *Implementation of CAMELS rating changes*—(A) *Changes between risk categories.* If, during a quarter, a CAMELS rating change occurs that results in an institution whose Risk Category I assessment rate is determined using the supervisory ratings and financial ratios method moving from Risk Category I to Risk Category II, III or IV, the institution's assessment rate for the portion of the quarter that it was in Risk Category I shall be determined using the CAMELS rating in effect before the change, subject to adjustment pursuant to paragraph (d)(4) of this section, if appropriate, and adjusted for the actual assessment rates set by the Board under § 327.10. For the portion of the quarter that the institution was not in Risk Category I, the institution's assessment rate shall be determined under the assessment schedule for the appropriate Risk Category. If, during a quarter, a CAMELS rating change occurs that results in an institution (other than a large institution that has at least one long-term debt issuer rating) moving from Risk Category II, III or IV to Risk Category I, the institution's assessment rate for the portion of the quarter that it was in Risk Category I shall be determined using the supervisory ratings and financial ratios method, subject to adjustment pursuant to paragraph (d)(4) of this section, if appropriate, and adjusted for the actual assessment rates set by the Board under § 327.10. For the portion of the quarter that the institution was not in Risk Category I, the institution's assessment rate shall be determined under the assessment schedule for the appropriate Risk Category.

(B) *Changes within Risk Category I.* If, during a quarter, an institution's CAMELS component ratings change in a way that would change the institution's assessment rate within Risk Category I, the assessment rate for the period before the change shall be determined under the supervisory ratings and financial ratios method using the CAMELS component ratings in effect before the change. Beginning on the date of the CAMELS component ratings change, the assessment rate for the remainder of the quarter shall be determined using the CAMELS component ratings in effect after the change.

(2) *Supervisory and debt ratings method.* A large insured depository institution in Risk Category I that has at least one long-term debt issuer rating shall have its assessment rate determined using the supervisory and debt ratings method (subject to paragraphs (d)(4) through (8) of this section). Its CAMELS component ratings will be weighted to derive a weighted average CAMELS rating using the same weights applied in the supervisory ratings and financial ratios method as set forth under paragraph (d)(1) of this section. Long-term debt issuer ratings will be converted to numerical values between 1 and 3 as provided in Appendix B to this subpart and the converted values will be averaged. The weighted average CAMELS rating and the average of converted long-term debt issuer ratings each will be multiplied by 1.176 (which shall be the pricing multiplier), and the products will be summed. To this result will be added −1.882 (which shall be a uniform amount for all institutions subject to the supervisory and debt ratings method). The resulting sum, subject to adjustment pursuant to paragraph (d)(4) of this section, if appropriate, and adjusted for the actual assessment rates set by the Board pursuant to § 327.10, will equal an institution's assessment rate; provided, however, that no institution's assessment rate will be less than the minimum rate in effect for Risk Category I institutions for that quarter nor greater than the maximum rate in effect for Risk Category I institutions for that quarter.

(3) *Assessment rate for insured branches of foreign banks*—(i) *Insured branches of foreign banks in Risk Category I.* Insured branches of foreign banks in Risk Category I shall be assessed using the weighted average ROCA component rating, as determined under paragraph (d)(3)(ii) of this section.

(ii) *Weighted average ROCA component rating.* The weighted average ROCA component rating shall equal the sum of the products that result from multiplying ROCA component ratings by the following percentages: Risk Management—35%, Operational Controls—25%, Compliance—25%, and Asset Quality—15%. The weighted average ROCA rating will be multiplied by 2.353 (which shall be the pricing multiplier). To this result will be added −1.882 (which shall be a uniform amount for all insured branches of foreign banks). The resulting sum, subject to adjustment pursuant to paragraph (d)(4) of this section and adjusted for assessment rates set by the FDIC pursuant to § 327.10(b), will equal an institution's assessment rate; provided, however, that no institution's assessment rate will be less than the minimum rate in effect for Risk Category I institutions for that quarter nor greater than the maximum rate in effect for Risk Category I institutions for that quarter.

(4) *Adjustments to the initial risk assignment for large banks or insured branches of foreign banks*—(i) *Basis for and size of adjustment.* Within Risk Category I, large institutions and insured branches of foreign banks are subject to risk assignment adjustment. In determining whether to make an adjustment for a large institution or an insured branch of a foreign bank, the FDIC may consider other relevant information in addition to the factors used to derive the risk assignment under paragraphs (d)(1), (2), or (3) of this section. Relevant information includes financial performance and condition information, other market information, and stress considerations, as described in Appendix C to this subpart. Any such adjustment shall be limited to a change in assessment rate of up to 0.5 basis points higher or lower than the rate determined using the supervisory ratings and financial ratios method, the supervisory and debt ratings method, or the weighted average ROCA component rating method, whichever is applicable.

(ii) *Adjustment subject to maximum and minimum rates.* No rate will be adjusted below the minimum rate or above the maximum rate for Risk Category I institutions in effect for the quarter.

(iii) *Prior notice of adjustments*—(A) *Prior notice of upward adjustment.* Prior to making any upward adjustment to an institution's rate because of considerations of additional risk information, the FDIC will formally notify the institution and its primary federal regulator and provide an opportunity to respond. This notification will include the reasons for the adjustment and when the adjustment will take effect.

(B) *Prior notice of downward adjustment.* Prior to making any downward adjustment to an institution's rate because of considerations of additional risk information, the FDIC will formally notify the institution's primary federal regulator and provide an opportunity to respond.

(iv) *Determination whether to adjust upward; effective period of adjustment.* After considering an institution's and the primary federal regulator's responses to the notice, the FDIC will determine whether the adjustment to an institution's assessment rate is warranted, taking into account any revisions to weighted average CAMELS component ratings, long-term debt issuer ratings, and financial ratios, as well as any actions taken by the institution to address the FDIC's concerns described in the notice. The FDIC will evaluate the need for the adjustment each subsequent assessment period, until it determines that an adjustment is no longer warranted. The amount of adjustment will in no event be larger than that contained in the initial notice without further notice to, and consideration of, responses from the primary federal regulator and the institution.

(v) *Determination whether to adjust downward; effective period of adjustment.* After considering the primary federal regulator's responses to the notice, the

FDIC will determine whether the adjustment to an institution's assessment rate is warranted, taking into account any revisions to weighted average CAMELS component ratings, long-term debt issuer ratings, and financial ratios, as well as any actions taken by the institution to address the FDIC's concerns described in the notice. Any downward adjustment in an institution's assessment rate will remain in effect for subsequent assessment periods until the FDIC determines that an adjustment is no longer warranted. Downward adjustments will be made without notification to the institution. However, the FDIC will provide advance notice to an institution and its primary federal regulator and give them an opportunity to respond before removing a downward adjustment.

(vi) *Adjustment without notice.* Notwithstanding the notice provisions set forth above, the FDIC may change an institution's assessment rate without advance notice under this paragraph, if the institution's supervisory or agency ratings or the financial ratios set forth in Appendix A to this subpart (for an institution without long-term debt issuer ratings) deteriorate.

(5) *Implementation of Supervisory and Long-Term Debt Issuer Rating Changes*—(i) *Changes between risk categories.* If, during a quarter, a CAMELS rating change occurs that results in an institution whose Risk Category I assessment rate is determined using the supervisory and debt ratings method or an insured branch of a foreign bank moving from Risk Category I to Risk Category II, III or IV, the institution's assessment rate for the portion of the quarter that it was in Risk Category I shall be based upon its assessment rate for the prior quarter; no new Risk Category I assessment rate will be developed for the quarter in which the institution moved to Risk Category II, III or IV. If, during a quarter, a CAMELS rating change occurs that results in a large institution with a long-term debt issuer rating or an insured branch of a foreign bank moving from Risk Category II, III or IV to Risk Category I, the institution's assessment rate for the portion of the quarter that it was in Risk Category I shall equal the rate determined under paragraphs (d)(2) and (4) or (d)(3) and (4) of this section, as appropriate.

(ii) *Changes within Risk Category I.* If, during a quarter, an institution whose Risk Category I assessment rate is determined using the supervisory and debt ratings method remains in Risk Category I, but a CAMELS component or a long-term debt issuer rating changes that would affect the institution's assessment rate, or if, during a quarter, an insured branch of a foreign bank remains in Risk Category I, but a ROCA component rating changes that would affect the institution's assessment rate, separate assessment rates for the portion(s) of the quarter before and after the change(s) shall be determined under paragraphs (d)(2) and (4) or (d)(3) and (4) of this section, as appropriate.

(6) *Request to be treated as a large institution*—(i) *Procedure.* Any institution in Risk Category I with assets of between $5 billion and $10 billion may request that the FDIC determine its assessment rate as a large institution. The FDIC will grant such a request if it determines that it has sufficient information to do so. The absence of long-term debt issuer ratings alone will not preclude the FDIC from granting a request. The assessment rate for an institution without a long-term debt issuer rating will be derived using the supervisory ratings and financial ratios method, but will be subject to adjustment. Any such request must be made to the FDIC's Division of Insurance and Research. Any approved change will become effective within one year from the date of the request. If an institution whose request has been granted subsequently reports assets of less than $5 billion in its report of condition for four consecutive quarters, the FDIC will consider such institution to be a small institution subject to the supervisory ratings and financial ratios method. An institution that disagrees with the FDIC's determination that it is a large or small institution may request review of that determination pursuant to § 327.4(c).

(ii) *Time limit on subsequent request for alternate method.* An institution whose request to be assessed as a large institution is granted by the FDIC shall not be eligible to request that it be assessed as a small institution for a period of three years from the first quarter in which its approved request to be assessed as a large bank became effective. Any request to be assessed as a small institution must be made to the FDIC's Division of Insurance and Research.

(7) *New and established institutions and exceptions*—(i) *New Risk Category I institutions*—(A) *Rule as of January 1, 2010.* Effective for assessment periods beginning on or after January 1, 2010, a new institution shall be assessed the Risk Category I maximum rate for the relevant assessment period, except as provided in paragraphs (d)(7)(ii)–(viii) of this section.

(B) *Rule prior to January 1, 2010.* Prior to January 1, 2010, a new institution's risk assignment shall be determined under paragraph (d)(1) or (2) of this section, as appropriate. Prior to January 1, 2010, a Risk Category I institution that has no CAMELS component ratings shall be assessed at one basis point above the minimum rate applicable to Risk Category I institutions until it receives CAMELS component ratings. If an institution has less than $10 billion in assets or has at least $10 billion in assets and no long-term debt issuer rating, its assessment rate will be determined under the supervisory ratings and financial ratios method once it receives CAMELS component ratings. The assessment rate will be determined by annualizing, where appropriate, financial ratios obtained from the reports of condition that have been filed, until the earlier of the following two events occurs: the institution files four reports of condition, or, if it has at least $10 billion in assets, it receives a long-term debt issuer rating.

(ii) *Merger or consolidation involving new and established institution(s).* Subject to paragraphs (d)(7)(iii)–(viii) of this section, when an established institution merges into or consolidates with a new institution, the resulting institution is a new institution unless:

(A) The assets of the established institution, as reported in its report of condition for the quarter ending immediately before the merger, exceeded the assets of the new institution, as reported in its report of condition for the quarter ending immediately before the merger; and

(B) Substantially all of the management of the established institution continued as management of the resulting or surviving institution.

(iii) *Consolidation involving established institutions.* When established institutions consolidate into a new institution, the resulting institution is an established institution.

(iv) *Grandfather exception.* If a new institution merges into an established institution, and the merger agreement was entered into on or before July 11, 2006, the resulting institution shall be deemed to be an established institution for purposes of this section.

(v) *Subsidiary exception.* Subject to paragraph (d)(7)(vi) of this section, a new institution will be considered established if it is a wholly owned subsidiary of:

(A) A company that is a bank holding company under the Bank Holding Company Act of 1956 or a savings and loan holding company under the Home Owners' Loan Act, and:

(*1*) At least one eligible depository institution (as defined in 12 CFR 303.2(r)) that is owned by the holding company has been chartered as a bank or savings association for at least five years as of the date that the otherwise new institution was established; and

(*2*) The holding company has a composite rating of at least "2" for bank holding companies or an above average or "A" rating for savings association holding companies and at least 75 percent of its insured depository institution assets are assets of eligible depository institutions, as defined in 12 CFR 303.2(r); or

(B) An eligible depository institution, as defined in 12 CFR 303.2(r), that has been chartered as a bank or savings association for at least five years as of the date that the otherwise new institution was established.

(vi) *Effect of credit union conversion.* In determining whether an insured depository institution is new or established, as those terms are defined in § 327.8, the FDIC will include any period of time that the institution was a federally insured credit union.

(vii) *CAMELS ratings for the surviving institution in a merger or consolidation.*

When an established institution merges with or consolidates into a new institution, if the FDIC determines the resulting institution to be an established institution under paragraph (d)(ii) of this section, its CAMELS ratings will be based upon the established institution's ratings prior to the merger or consolidation until new ratings become available.

(viii) *Rate applicable to institutions subject to subsidiary or credit union exception*. On or after January 1, 2010, if an institution is considered established under paragraph (d)(7)(v) or (vi) of this section, but does not have CAMELS component ratings, it shall be assessed at one basis point above the minimum rate applicable to Risk Category I institutions until it receives CAMELS component ratings. If an institution has less than $10 billion in assets or has at least $10 billion in assets and no long-term debt issuer rating, its assessment rate will be determined under the supervisory ratings and financial ratios method once it receives CAMELS component ratings. The assessment rate will be determined by annualizing, where appropriate, financial ratios obtained from all reports of condition that have been filed, until the earlier of the following two events occurs: the institution files four reports of condition, or, if it has at least $10 billion in assets, it receives a long-term debt issuer rating.

(ix) *Request for review*. An institution that disagrees with the FDIC's determination that it is a new institution may request review of that determination pursuant to § 327.4(c).

(8) *Assessment rates for bridge banks and conservatorships.* Institutions that are bridge banks under 12 U.S.C. 1821(n) and institutions for which the Corporation has been appointed or serves as conservator shall, in all cases, be assessed at the Risk Category I minimum rate.

[71 FR 69309, Nov. 30, 2006]

§ 327.10 Assessment rate schedules.

(a) *Base Assessment Schedule.* The base annual assessment rate for an insured depository institution shall be the rate prescribed in the following schedule:

TABLE 1 TO PARAGRAPH (a)

	Risk Category				
	I*		II	III	IV
	Minimum	Maximum			
Annual Rates (in basis points)	2	4	7	25	40

* Rates for institutions that do not pay the minimum or maximum rate vary between these rates.

(1) *Risk Category I Base Rate Schedule.* The base annual assessment rates for all institutions in Risk Category I shall range from 2 to 4 basis points.

(2) *Risk Category II, III, and IV Base Rate Schedule.* The base annual assessment rates for Risk Categories II, III, and IV shall be 7, 25, and 40 basis points respectively.

(3) All institutions in any one risk category, other than Risk Category I, will be charged the same assessment rate.

(b) *Adjusted Rate Schedule.* Beginning on January 1, 2007, the adjusted annual assessment rate for an insured depository institution shall be the rate prescribed in the following schedule:

TABLE 1 TO PARAGRAPH (b)

	Risk Category				
	I*		II	III	IV
	Minimum	Maximum			
Annual Rates (in basis points)	5	7	10	28	43

*Rates for institutions that do not pay the minimum or maximum rate vary between these rates.